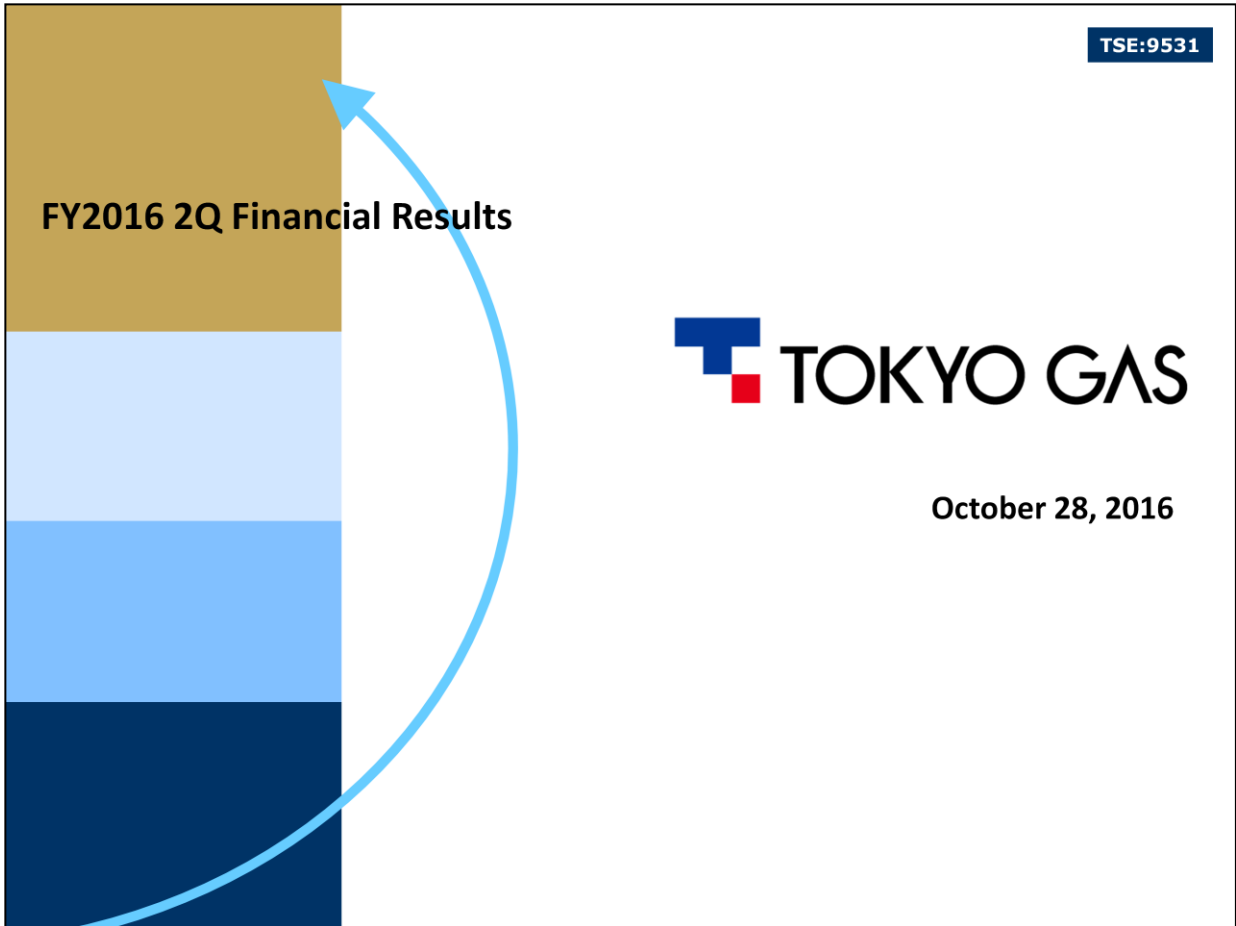


**FY2016 2Q Financial Results**



October 28, 2016



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**1. FY2016 2Q Consolidated Financial Results**  
**ended September 30, 2016**

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# FY2016 2Q Consolidated Results (Apr. 1, 2016 – Sept. 30, 2016) <vs. FY2015 2Q>



## Highlights: Sales Down, Profit Down

(+ - , +/- indicate impact on profit, billion yen)

|                                  |          |   |  |
|----------------------------------|----------|---|--|
| <b>Net sales</b>                 | -193.7 : | - | City gas (-162.2: Decrease in unit price, etc. due to resource cost adjustment -163.8, increase in sales volume +0.6)  |
|                                  |          | - | Energy-related (-45.4: Appliances -16.0 (due to deconsolidation of GASTAR, etc.), engineering solutions -13.9 (lower volume of projects, etc.), LNG sales -13.0 (decrease in unit sales price due to decrease in crude oil price)) |
| <b>Operating expenses</b>        | +119.8 : | + | City gas resource costs, etc. (+123.6: Decrease in unit price arising from economic framework assumptions, etc. +123.8, increase in sales volume -0.2)   |
| <b>Operating income</b>          | -73.8 :  | - | City gas (-58.6: Gas gross margin -39.5 (including sliding time lag effect -37.7), increase in fixed costs -20.2)  |
|                                  |          | - | Energy-related (-7.6: LNG sales -4.2 (including sliding time lag effect -4.2), appliances -2.7)  |
|                                  |          | - | Electric power (-4.8: Increases in retail sales expenses and depreciation)   |
| <b>Extraordinary income/loss</b> | +5.5 :   | + | Gain on sale of investment securities +2.9 (FY2016 2Q 2.9—FY2015 2Q 0.0)<br>Loss on valuation of investment securities +2.6 (FY2016 2Q 0.0—FY2015 2Q -2.6)   |

|   | FY2016 2Q | FY2015 2Q | Change | %      | Prev. forecast (July 29) | Change | %      |
|---|-----------|-----------|--------|--------|--------------------------|--------|--------|
| Gas sales volume (million m <sup>3</sup> , 45 MJ)               | 721.0     | 718.4     | +2.6   | +0.4%  | 713.3                    | +7.8   | +1.1%  |
| Electricity sales volume (million kWh)                          | 617.2     | 495.7     | +121.5 | +24.5% | 619.6                    | -2.4   | -0.4%  |
| Net sales   | 707.7     | 901.4     | -193.7 | -21.5% | 709.0                    | -1.3   | -0.2%  |
| Operating expenses  | 671.5     | 791.3     | -119.8 | -15.1% | 686.0                    | -14.5  | -2.1%  |
| Operating income  | 36.2      | 110.0     | -73.8  | -67.1% | 23.0                     | +13.2  | +57.4% |
| Segment income (operating income + equity income of subsidiary) | 37.0      | 110.8     | -73.8  | -66.5% | 23.8                     | +13.2  | +55.9% |
| Ordinary income <sup>(1)</sup>                                  | 34.3      | 107.0     | -72.7  | -67.9% | 20.0                     | +14.3  | +71.9% |
| Extraordinary income/loss                                       | 2.9       | -2.6      | +5.5   | -      | 2.9                      | 0.0    | -      |
| Profit attributable to owners of parent                         | 26.4      | 80.6      | -54.2  | -67.1% | 15.0                     | +11.4  | +76.6% |

|  |       |      |       |        |       |      |       |
|--|-------|------|-------|--------|-------|------|-------|
| Temperature effect <sup>(2)</sup>                            | -4.9  | -5.0 | +0.1  | —      | -4.9  | 0.0  | —     |
| Sliding time lag effect (city gas, LNG sales) <sup>(3)</sup> | 8.8   | 50.7 | -41.9 | —      | 2.8   | +6.0 | —     |
| Amortization of actuarial differences <sup>(4)</sup>         | -12.0 | -1.1 | -10.9 | —      | -12.0 | 0.0  | —     |
| Adjusted ordinary income <sup>(1)-(2)+(3)+(4)</sup>          | 42.4  | 62.4 | -20.0 | -32.1% | 34.1  | +8.3 | 24.3% |

| Economic framework    | Exchange rate (¥/\$) | Crude oil price (\$/bbl) | Avg. air temp. (°C) | Pension assets              | Investment yield (costs deducted) | Year-end assets (billion yen) |
|-----------------------|----------------------|--------------------------|---------------------|-----------------------------|-----------------------------------|-------------------------------|
| FY2016 2Q             | 105.25               | 43.75                    | 21.5                | FY2016 2Q (cumulative)      | 2.28%                             | 284.0                         |
| FY2015 2Q             | 121.87<-16.62>       | 58.84<-15.09>            | 21.4<+0.1>          | Expected rate of return: 2% |                                   |                               |
| Prev. forecast (7/29) | 106.58 (-1.33)       | 43.05 (+0.70)            | 21.4(+0.1)          |                             |                                   |                               |

Figures in <> brackets indicate year-on-year increase/decrease. Figures in () parentheses indicate increase/decrease from previous forecast.

2

During the first half of FY2016, sales declined for two consecutive terms, while income decreased for the first time in five terms.

Net sales decreased by 21.5% or ¥193.7 billion year-on-year to ¥707.7 billion, due to a decline in gas sales on the back of a decrease in unit price from resource cost adjustments, and a drop in appliances and LNG sales in the energy-related segment, although gas sales volume was roughly at the same level as the same period of the previous year.

On the other hand, operating expenses fell by 15.1% or ¥119.8 billion to ¥671.5 billion due in part to a decrease in gas resource costs partly owing to the drop in oil prices.

As a result, operating income decreased by 67.1% or ¥73.8 billion year-on-year to ¥36.2 billion, ordinary income declined by 67.9% or ¥72.7 billion year-on-year to ¥34.3 billion, and profit attributable to owners of parent fell by 67.1% or ¥54.2 billion year-on-year to ¥26.4 billion.

Interim dividends are to be ¥5.50 per share. There are no changes to the annual dividend forecast of ¥11.

## FY2016 2Q Consolidated Gas Sales Volume

**FY2016 2Q Results (vs. FY2015 2Q)**

**FY2016 2Q Results (vs Previous forecast)**

Gas sales volume: (Figures are rounded to nearest mil. m<sup>3</sup>)

**+26 mil. m<sup>3</sup> (+0.4%)**

[including temperature effect +4 mil. m<sup>3</sup>, 0.0%]

**+78 mil. m<sup>3</sup> (+1.1%)**

[including temperature effect +1 mil. m<sup>3</sup>, 0.0%]

**Residential** - 8 mil. m<sup>3</sup> (-0.6%)

- Temperature effect 0 mil. m<sup>3</sup>
- Number of days +8 mil. m<sup>3</sup>
- Number of customers +20 mil. m<sup>3</sup>
- Others -36 mil. m<sup>3</sup>

**Residential** +34 mil. m<sup>3</sup> (+2.8%)

- Temperature effect 0 mil. m<sup>3</sup>
- Number of days 0 mil. m<sup>3</sup>
- Number of customers 0 mil. m<sup>3</sup>
- Others +34 mil. m<sup>3</sup>

**Commercial** - 21 mil. m<sup>3</sup> (-1.6%)

- Temperature effect +6 mil. m<sup>3</sup>
- Number of days +3 mil. m<sup>3</sup>
- Number of customers +8 mil. m<sup>3</sup>
- Others -38 mil. m<sup>3</sup>

**Commercial** - 7 mil. m<sup>3</sup> (-0.5%)

- Temperature effect +1 mil. m<sup>3</sup>
- Number of days 0 mil. m<sup>3</sup>
- Number of customers +4 mil. m<sup>3</sup>
- Others -12 mil. m<sup>3</sup>

**Industrial** +5 mil. m<sup>3</sup> (+0.1%)

- Industrial +1 mil. m<sup>3</sup>
- Power generation +4 mil. m<sup>3</sup>

**Industrial** +29 mil. m<sup>3</sup> (+0.8%)

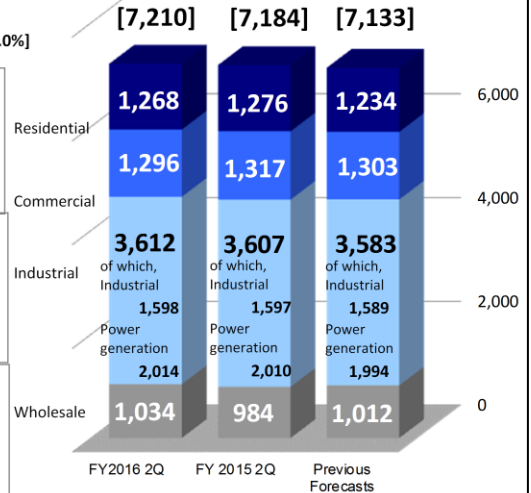
- Industrial +9 mil. m<sup>3</sup>
- Power generation +20 mil. m<sup>3</sup>

**Wholesale** +50 mil. m<sup>3</sup> (+5.1%)

- Temperature effect -2 mil. m<sup>3</sup>
  - Others +52 mil. m<sup>3</sup>
- Increase in demand from wholesale suppliers, etc.

**Wholesale** +22 mil. m<sup>3</sup> (+2.2%)

- Temperature effect 0 mil. m<sup>3</sup>
  - Others +22 mil. m<sup>3</sup>
- Increase in demand from wholesale suppliers, etc.



**Number of customers (10 thousands)**

|  | FY2016 2Q Results | FY2015 2Q Results | Previous Forecast |
|--|-------------------|-------------------|-------------------|
|  | 1,144.8           | 1,131.5           | 1,144.7           |
|  |                   | +13.3 (+1.2%)     | +0.1 (0.0%)       |

|                                      | FY2016 2Q Results | FY2015 2Q Results | Previous Forecasts |
|--------------------------------------|-------------------|-------------------|--------------------|
| LNG liquid sales volume (thousand t) | 515               | 490               | 514                |
|                                      |                   | (+25)             | (+1)               |
| Average temperature (°C)             | 21.5              | 21.4              | 21.4               |
|                                      |                   | (+0.1)            | (+0.1)             |

Next, let us look at the sales volume of gas, our core product, which served as a basis for the earnings results. Please turn to Slide 3.

Gas sales volume for the first half remained almost unchanged year-on-year at 7,210 million cubic meters. This was an increase of 26 million cubic meters(0.4%) year-on-year.

The breakdown item that showed a large change from the previous year was wholesale sales volume, which increased by 5.1% year-on-year due to an increase in demand from wholesale suppliers.

Compared to the previous forecast, sales volume of gas increased by 78 million cubic meters (1.1%). Large changes in the breakdown include a 2.8% increase in residential demand and a 2.2% increase in wholesale demand.

## FY2016 2Q Gas Sales Volume (Vision Basis)

### ■ Gas sales volume (Vision Basis)

(Unit: million m<sup>3</sup>)

|   | FY2016 2Q<br>Results | FY2015 2Q<br>Results | Change | FY2016<br>Previous forecasts<br>(July.29) | Change |
|---|----------------------|----------------------|--------|---|--------|
| Gas sales volume<br>(financial accounting basis)      | 7,210                | 7,184                | +26    | 7,133                                     | +78    |
|   |                      |                      | +0.4%  |   | +1.1%  |
| Gas volume used in-house<br>under tolling arrangement | 989                  | 775                  | +214   | 980                                       | +9     |
|   |                      |                      | +27.6% |   | +0.9%  |
| LNG sales volume (m3 basis)                           | 643                  | 613                  | +30    | 643                                       | 0      |
|   |                      |                      | +4.9%  |   | 0.1%   |
| Total   | 8,842                | 8,572                | +270   | 8,756                                     | +86    |
|   |                      |                      | +3.2%  |   | +1.0%  |

Slide 4 indicates the breakdown of gas sales volume (vision basis), which includes the gas volume used in-house under the tolling arrangement and LNG sales.

FY2016 2Q Results : Sales and Operating Income/Loss by Business Segments <vs. FY2015 2Q>

(unit : billion yen)

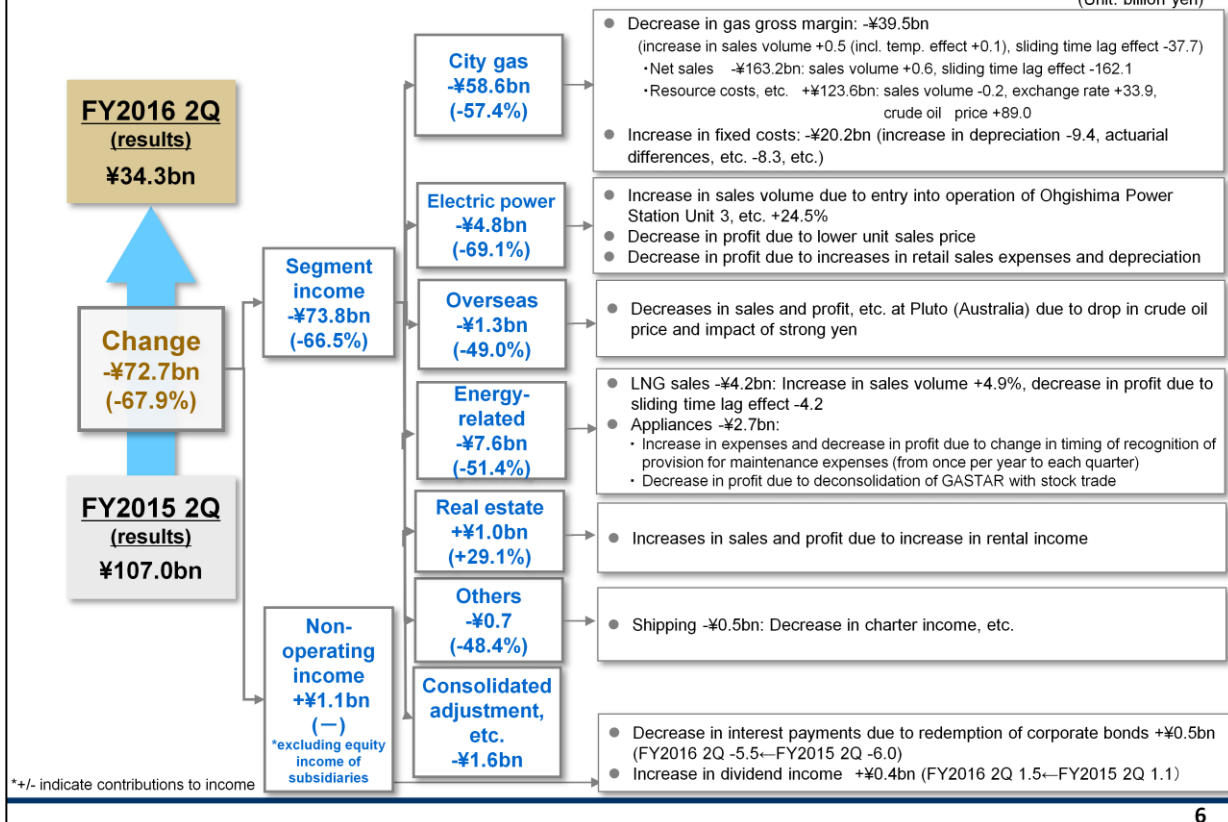
|                         | Net Sales         |                   |        |       | Segment Income<br>(Operating income + Equity income/loss of subsidiary) |                   |        |       |
|-------------------------|-------------------|-------------------|--------|-------|---|-------------------|--------|-------|
|                         | FY2016 2Q Results | FY2015 2Q Results | Change | %     | FY2016 2Q Results   | FY2015 2Q Results | Change | %     |
| City Gas                | 462.2             | 624.4             | -162.2 | -26.0 | 43.5  | 102.1             | -58.6  | -57.4 |
| Electric Power          | 64.9              | 61.7              | 3.2    | 5.3   | 2.1   | 6.9               | -4.8   | -69.1 |
| Overseas business       | 13.0              | 13.8              | -0.8   | -5.9  | 1.4   | 2.7               | -1.3   | -49.0 |
| Energy-related          | 205.9             | 251.3             | -45.4  | -18.1 | 7.1   | 14.7              | -7.6   | -51.4 |
| (Engineering Solutions) | 49.0              | 62.9              | -13.9  | -22.0 | 1.7   | 2.1               | -0.4   | -22.0 |
| (LNG sales)             | 45.8              | 58.8              | -13.0  | -22.1 | 4.5   | 8.7               | -4.2   | -47.8 |
| Real estate             | 20.2              | 19.2              | 1.0    | 4.9   | 4.3   | 3.3               | 1.0    | 29.1  |
| Others                  | 38.9              | 35.3              | 3.6    | 10.3  | 0.7   | 1.4               | -0.7   | -48.4 |
| Adjustment              | -97.5             | -104.4            | 6.9    | -     | -22.2   | -20.6             | -1.6   | -     |
| Consolidated            | 707.7             | 901.4             | -193.7 | -21.5 | 37.0  | 110.8             | -73.8  | -66.5 |

- Notes:
- Net sales by business segments include internal transactions.
  - "Energy-related" includes businesses in engineering construction, appliances sales, gas pipe installation, construction, and LNG sales, liquefied petroleum gas and industrial gas, etc.
  - "Others" includes businesses in shipping, information processing service, credit and leasing, etc.
  - The "Adjustment" to operating income is primarily companywide expenses not allocated to individual segments.

Slide 5 indicates net sales and segment income as compared with the same period of the previous year.

The decrease in income of the city gas segment by ¥58.6 billion has pushed down the overall income. This is largely attributable to the deterioration of the sliding time lag effect of approximately -¥38 billion.

# FY2016 2Q Results: Ordinary Income Analysis <vs. FY2015 2Q>



Slide 6 shows the change in segment income as compared with the same period of the previous year.

The main reason for the ¥58.6 billion decrease in the segment income of the city gas business was the sliding time lag effect of -¥37.7 billion.

Segment income of the electric power business decreased by ¥4.8 billion. This was mainly because unit selling price dropped on the back of a decline in oil prices, as well as up-front expenditure following the entry into retail power market, despite an increase in sales volume due to the commencement of operation of the Ohgishima Power Plant No. 3 in February 2016.

Segment income of the overseas business decreased by ¥1.3 billion due to a drop in the income of the upstream business as a result of falling crude oil prices and the strong yen.

Segment income of the energy-related business decreased by ¥7.6 billion for the segment as a whole. This was because of a fall in income due to the sliding time lag effect in LNG sales, despite an increase in LNG sales volume

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## 2. FY2016 Full Year Forecast

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# FY2016 Forecast (Apr. 1, 2016 – Mar. 31, 2017) <vs. Previous Forecast (Released July 29)>

## Highlights: Sales Up, Profit Up

( + - +/- indicate impact on profit, billion yen)

- The economic framework reflects final 1H figures and assumes an exchange rate of ¥105.0 per dollar and a crude oil price of \$45/bbl for the 2H as previously forecast.
- Gas sales volume reflects 2Q increases relative to the previous forecast, and is in line with the previous forecast from the 3Q onward.

|                           |        |   |                         |   |
|---------------------------|--------|---|-------------------------|---|
| <b>Net sales</b>          | +5.0 : | + | City gas                | (+5.3: Increase in sale volume in residential and industrial sectors, etc.)           |
|                           |        | + | Electric power          | (+5.3: Increase in unit sales price, etc.)  |
|                           |        | - | Energy-related          | (-6.9: Decreases in sales volume and volume of orders in engineering solutions, etc.) |
| <b>Operating expenses</b> | +3.0 : | + | Consolidated adjustment | (Decrease due to revision of consolidated adjustment of depreciation, etc. +3.0)      |
| <b>Operating income</b>   | +8.0 : | + | City gas                | (+3.6: Increase in sales volume, etc.)  |
|                           |        | + | Electric power          | (+0.9: Increase in gross margin due to increase in sales and decrease in fuel costs.) |

(billion yen)

|   | Current forecast | Prev. forecast (7/29) | Change | %      | FY2015 results | Change | %      |
|---|------------------|-----------------------|--------|--------|----------------|--------|--------|
| Gas sales volume (million m <sup>3</sup> , 45 MJ)               | 1,563.4          | 1,555.6               | +7.8   | +0.5%  | 1,543.6        | +19.8  | +1.3%  |
| Electricity sales volume (million kWh)                          | 1,300.7          | 1,302.6               | -1.9   | -0.1%  | 1,095.9        | +204.8 | +18.7% |
| Net sales   | 1,596.0          | 1,591.0               | +5.0   | +0.3%  | 1,884.6        | -288.6 | -15.3% |
| Operating expenses  | 1,540.0          | 1,543.0               | -3.0   | -0.2%  | 1,692.6        | -152.6 | -9.0%  |
| Operating income  | 56.0             | 48.0                  | +8.0   | +16.7% | 192.0          | -136.0 | -70.8% |
| Segment income (operating income + equity income of subsidiary) | 57.9             | 49.6                  | +8.3   | +16.7% | 194.1          | -136.2 | -70.2% |
| Ordinary income <sup>(1)</sup>                                  | 48.0             | 40.0                  | +8.0   | +20.0% | 188.8          | -140.8 | -74.6% |
| Extraordinary income/loss                                       | 7.0              | 7.0                   | 0.0    | 0.0%   | -33.0          | +40.0  | —      |
| Profit attributable to owners of parent                         | 41.0             | 35.0                  | +6.0   | +17.1% | 111.9          | -70.9  | -63.4% |
| Temperature effect <sup>(2)</sup>                               | -4.9             | -4.9                  | 0      | —      | -17.3          | +12.4  | —      |
| Sliding time lag effect (city gas + LNG sales) <sup>(3)</sup>   | -6.1             | -7.4                  | +1.3   | —      | 80.3           | -86.4  | —      |
| Amortization of actuarial differences <sup>(4)</sup>            | -24.1            | -24.1                 | 0      | —      | -2.3           | -21.8  | —      |
| Adjusted ordinary income <sup>(1)+(2)+(3)+(4)</sup>             | 83.1             | 76.4                  | +6.7   | +8.8%  | 128.1          | -45.0  | -35.1% |

| Economic framework    | Exchange rate (¥/\$) | Crude oil price (\$/bbl) | Avg. air temp. (°C) | Pension assets | Investment yield (costs deducted) | Discount rate   |                  | Year-end assets (billion yen) |
|-----------------------|----------------------|--------------------------|---------------------|----------------|-----------------------------------|-----------------|------------------|-------------------------------|
|                       |                      |                          |                     |                |                                   | Annuity portion | Lump-sum portion |                               |
| Current forecast      | 105.13               | 44.38                    | 16.1                |                |                                   |                 |                  |                               |
| Prev. forecast (7/29) | 105.79<-0.66>        | 44.02<+0.36>             | 16.1<0.0>           | FY2015         | 2.92%                             | 0.236%          | 0.000%           | 281.0                         |
| FY2015 results        | 120.17(-15.04)       | 48.73 (-4.35)            | 16.6(-0.5)          | FY2014         | 5.57%                             | 0.829%          | 0.358%           | 281.0                         |

Figures in <> brackets indicate increase/decrease from previous forecast. Figures in () parentheses indicate increase/decrease from FY2015 results.

For the FY2016 full year, we have made upward revisions to our sales and income forecasts from our previous forecast announced in July. We have not changed our economic frame, which serves as a basis of assumption, for October 2016 and later for the fiscal year 2016, with the foreign exchange rate assumption at ¥105/\$ and crude oil price assumption of \$45 per barrel.

We expect gas sales volume to increase by 0.5% from the previous forecast to 15,634 million cubic meters, in light of first-half results. We will explain the breakdown later.

We expect that net sales would increase 0.3% or ¥5.0 billion from the previous forecast to ¥1,596.0 billion. This is mainly due to an increase in sales of the city gas business on the back of a rise in gas sales volume, as well as an increase in sales of the electric power business owing to a rise in unit price.

We have reduced our forecast for operating expenses by 0.2% or ¥3.0 billion from the previous forecast to ¥1,540.0 billion, This is mainly due to a review of consolidation adjustment of depreciation.

As a result, operating income for the full year was revised upward by 16.7% or ¥8.0 billion from the previous forecast to ¥56.0 billion, ordinary income was revised upward by 20.0% or ¥8.0 billion to ¥48.0 billion, and profit attributable to owners of parent was also revised upward by 17.1% or ¥6.0 billion to ¥41.0 billion.

# FY2016 Full Year Forecast ; Consolidated Gas Sales Volume



## Current Forecast (vs. Previous Forecast)

**+78 mil. m<sup>3</sup> (+0.5%)**

[Including temperature effect +1mil. m<sup>3</sup>,+0.0%]

|                       |                                  |
|-----------------------|----------------------------------|
| <b>Residential</b>    | + 34 mil. m <sup>3</sup> (+1.0%) |
| ● Temperature effect  | 0 mil. m <sup>3</sup>            |
| ● Number of days      | 0 mil. m <sup>3</sup>            |
| ● Number of customers | 0 mil. m <sup>3</sup>            |
| ● Others              | + 34 mil. m <sup>3</sup>         |

|                       |                                 |
|-----------------------|---------------------------------|
| <b>Commercial</b>     | - 7 mil. m <sup>3</sup> (-0.3%) |
| ● Temperature effect  | + 1 mil. m <sup>3</sup>         |
| ● Number of days      | 0 mil. m <sup>3</sup>           |
| ● Number of customers | + 4 mil. m <sup>3</sup>         |
| ● Others              | - 12 mil. m <sup>3</sup>        |

|                    |                                 |
|--------------------|---------------------------------|
| <b>Industrial</b>  | +29 mil. m <sup>3</sup> (+0.4%) |
| ● Industrial       | +8 mil. m <sup>3</sup>          |
| ● Power generation | + 21 mil. m <sup>3</sup>        |

|   |                                 |
|---|---------------------------------|
| <b>Wholesale</b>                                  | +23 mil. m <sup>3</sup> (+1.1%) |
| ● Temperature effect                              | 0 mil. m <sup>3</sup>           |
| ● Others  | + 23 mil. m <sup>3</sup>        |
| Increase in demand from wholesale suppliers, etc. |                                 |

## Current forecast (vs FY2015 Results)

**+198 mil m<sup>3</sup> (+1.3%)**

[Including temperature effect +227mil. m<sup>3</sup>,+1.5%]

|                       |                                  |
|-----------------------|----------------------------------|
| <b>Residential</b>    | +161 mil. m <sup>3</sup> (+4.8%) |
| ● Temperature effect  | +152 mil. m <sup>3</sup>         |
| ● Number of days      | + 3 mil. m <sup>3</sup>          |
| ● Number of customers | + 51 mil. m <sup>3</sup>         |
| ● Others              | - 45 mil. m <sup>3</sup>         |

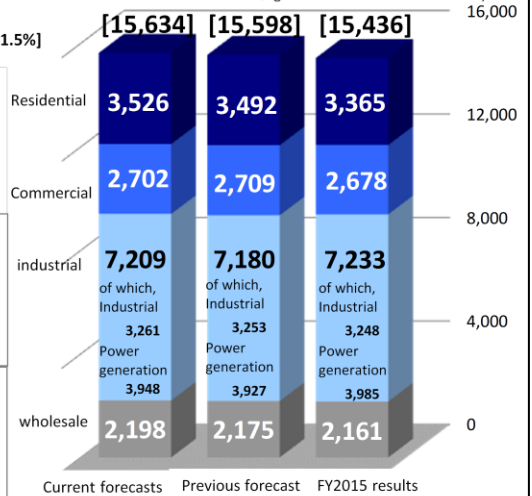
|                       |                                 |
|-----------------------|---------------------------------|
| <b>Commercial</b>     | +24 mil. m <sup>3</sup> (+0.9%) |
| ● Temperature effect  | + 55 mil. m <sup>3</sup>        |
| ● Number of days      | - 2 mil. m <sup>3</sup>         |
| ● Number of customers | +27 mil. m <sup>3</sup>         |
| ● Others              | - 56 mil. m <sup>3</sup>        |

|                    |                                  |
|--------------------|----------------------------------|
| <b>Industrial</b>  | - 24 mil. m <sup>3</sup> (-0.3%) |
| ● Industrial       | + 13 mil. m <sup>3</sup>         |
| ● Power generation | - 37 mil. m <sup>3</sup>         |

|   |                                |
|---|--------------------------------|
| <b>Wholesale</b>                                  | +37mil. m <sup>3</sup> (+1.7%) |
| ● Temperature effect                              | + 20 mil. m <sup>3</sup>       |
| ● Others  | + 17 mil. m <sup>3</sup>       |
| Increase in demand from wholesale suppliers, etc. |                                |

## Gas sales Volume :

(Figures are rounded nearest mil m<sup>3</sup>)



## Number of customers (10 thousands)

| Current Forecast | Previous Forecast | FY2015 Results |
|------------------|-------------------|----------------|
| <b>1,153.7</b>   | 1,153.7           | 1,139.8        |
|                  | 0.0(0.0%)         | +13.9 (+1.2%)  |

|  | Current Forecast | Previous Forecast | FY2015 Results |
|--|------------------|-------------------|----------------|
| LNG liquefied sales volume (thousands t) | 1,054            | 1,059             | 1,147          |
|  |                  | (-5)              | (-93)          |
| Average temperature (°C)                 | 16.1             | 16.1              | 16.6           |
|  |                  | (0.0)             | (-0.5)         |

With regard to gas sales volume, please refer to Slide 9.

In terms of the breakdown of the comparison with the previous forecast, the forecast of residential gas sales volume was increased by 1.0% to 34 million cubic meters, due in part to gas sales volume per household exceeding the plan in the first half.

The forecast of commercial gas sales volume was reduced by 0.3% or 7 million cubic meters in consideration of a decrease in the consumption of existing customers and other factors.

The forecast of industrial gas sales volume was revised upward by 0.4% or 29 million cubic meters due to an increase in demand for power generation, while the forecast of wholesale gas sales volume was also revised upward by 1.1% or 23 million cubic meters, mainly due to an increase in demand from wholesale suppliers.

## FY2016 Full Year Forecast : Gas Sales Volume (Vision Basis)

< vs FY 2016 Previous Forecast (July.29), FY2015 Results >

### ● Gas Sales Volume (Vision Basis)

(Unit : mil. m3)

|   | FY2016<br>Current<br>Forecasts | FY2016<br>Previous<br>Forecasts(July.29) | Change | FY2015<br>Results | Change |
|---|--------------------------------|--|--------|-------------------|--------|
| Gas Sales Volume<br>(financial accounting basis)    | 15,634                         | 15,556                                   | +78    | 15,436            | +198   |
|   |                                |  | +0.5%  |                   | +1.3%  |
| Gas volume used in-house<br>under tolling agreement | 2,062                          | 2,053                                    | +9     | 1,717             | +345   |
|   |                                |  | +0.4%  |                   | +20.1% |
| LNG sales (m3 basis)                                | 1,318                          | 1,324                                    | -6     | 1,434             | -116   |
|   |                                |  | -0.5%  |                   | -8.1%  |
| Total   | 19,014                         | 18,933                                   | +81    | 18,587            | +427   |
|   |                                |  | +0.4%  |                   | +2.3%  |

Slide 10 indicates the breakdown of the gas sales volume outlook (vision basis). We expect gas sales volume of 19 billion cubic meters in total on a vision basis for the current fiscal year.

## FY2016 Full Year Forecast : Sales and Income/Loss by New Business Segments

<vs. FY2016 Previous Forecast (July 29) >



(unit : billion yen)

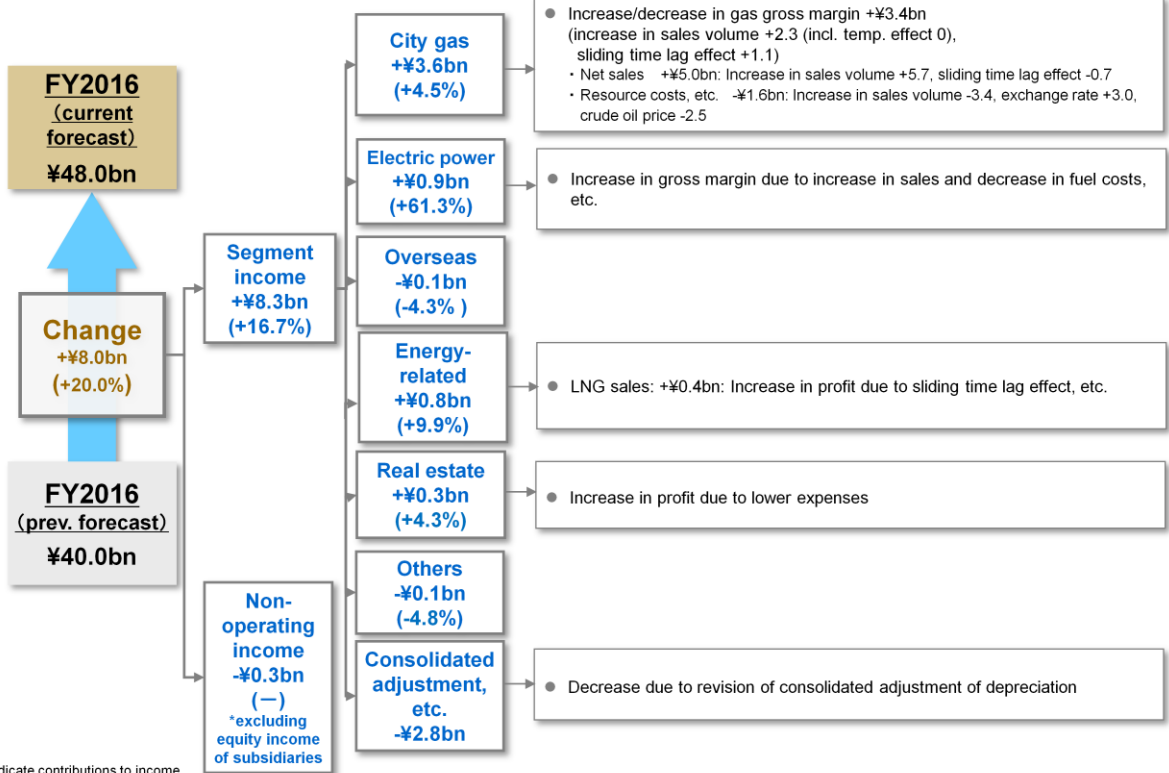
|                         | Net Sales                      |                                 |            |            | Segment Income<br>(Operating income + Equity income/loss of subsidiary) |                                 |            |             |
|-------------------------|--------------------------------|---------------------------------|------------|------------|---|---------------------------------|------------|-------------|
|                         | FY2016<br>Current<br>forecasts | FY2016<br>Previous<br>forecasts | Change     | %          | FY2016<br>Current<br>forecasts  | FY2016<br>Previous<br>forecasts | Change     | %           |
| City Gas                | 1,032.6                        | 1,027.3                         | 5.3        | 0.5        | 83.0  | 79.4                            | 3.6        | 4.5         |
| Electric Power          | 144.1                          | 138.8                           | 5.3        | 3.8        | 2.4   | 1.5                             | 0.9        | 61.3        |
| Overseas business       | 26.9                           | 27.6                            | -0.7       | -2.5       | 2.2   | 2.3                             | -0.1       | -4.3        |
| Energy-related          | 457.2                          | 464.1                           | -6.9       | -1.5       | 8.9   | 8.1                             | 0.8        | 9.9         |
| (Engineering solutions) | 107.4                          | 111.2                           | -3.8       | -3.3       | 3.7   | 3.7                             | 0.0        | 0.0         |
| (LNG sales)             | 88.4                           | 88.1                            | 0.3        | 0.3        | 3.9   | 3.5                             | 0.4        | 12.3        |
| Real estate             | 40.8                           | 41.1                            | -0.3       | -0.7       | 7.3   | 7.0                             | 0.3        | 4.3         |
| Others                  | 88.1                           | 86.4                            | 1.7        | 2.0        | 2.0   | 2.1                             | -0.1       | -4.8        |
| Adjustment              | -193.7                         | -194.3                          | 0.6        | —          | -48.0   | -50.8                           | 2.8        | —           |
| <b>Total</b>            | <b>1,596.0</b>                 | <b>1,591.0</b>                  | <b>5.0</b> | <b>0.3</b> | <b>57.9</b>   | <b>49.6</b>                     | <b>8.3</b> | <b>16.7</b> |

- Notes:
- Net sales by business segments include internal transactions.
  - “Energy-related” includes businesses in engineering construction, appliances sales, gas pipe installation, construction, and LNG sales, liquefied petroleum gas and industrial gas, etc.
  - “Others” includes businesses in shipping, information processing service, credit and leasing, etc.
  - The “Adjustment” to operating income is primarily companywide expenses not allocated to individual segments.

Slide 11 indicates the forecast of net sales and segment income as compared with the previous forecast.

The main changes in income will be explained in the next slide.

# FY2016 Forecast Ordinary Income Analysis <vs. Previous Forecast (Released July 29)>



The ¥3.6 billion increase in the income of the city gas segment is mainly due to an expected increase in gross profit by ¥2.3 billion on the back of an increase in sales volume.

The ¥0.9 billion increase in the income of the electric power segment is mainly because of an expected rise in gross profit on the back of an increase in net sales due to higher unit selling price and a drop in fuel costs.

The ¥0.8 billion increase in the income of the energy-related segment is mainly due to an expected sliding time lag effect in LNG sales.

## FY2016 Full Year Forecast : Sales and Income/Loss by New Business Segments

<vs. FY2015 Results>



(unit : billion yen)

|                         | Net Sales                      |                   |               |              | Segment Income<br>(Operating income + Equity income/loss of subsidiary) |                   |               |              |
|-------------------------|--------------------------------|-------------------|---------------|--------------|---|-------------------|---------------|--------------|
|                         | FY2016<br>Current<br>forecasts | FY2015<br>Results | Change        | %            | FY2016<br>Current<br>forecasts  | FY2015<br>Results | Change        | %            |
| City Gas                | 1,032.6                        | 1,294.6           | -262.0        | -20.2        | 83.0  | 192.0             | -109.0        | -56.8        |
| Electric Power          | 144.1                          | 124.8             | 19.3          | 15.4         | 2.4   | 9.3               | -6.9          | -74.0        |
| Overseas business       | 26.9                           | 30.1              | -3.2          | -10.9        | 2.2   | 4.1               | -1.9          | -46.8        |
| Energy-related          | 457.2                          | 550.4             | -93.2         | -16.9        | 8.9   | 25.5              | -16.6         | -65.2        |
| (Engineering solutions) | 107.4                          | 137.0             | -29.6         | -21.6        | 3.7   | 7.3               | -3.6          | -49.3        |
| (LNG sales)             | 88.4                           | 124.3             | -35.9         | -28.9        | 3.9   | 14.9              | -11.0         | -73.6        |
| Real estate             | 40.8                           | 39.3              | 1.5           | 3.7          | 7.3   | 6.1               | 1.2           | 18.7         |
| Others                  | 88.1                           | 80.2              | 7.9           | 9.8          | 2.0   | 4.0               | -2.0          | -51.1        |
| Adjustment              | -193.7                         | -235.1            | 41.4          | —            | -48.0   | -47.1             | -0.9          | —            |
| <b>Total</b>            | <b>1,596.0</b>                 | <b>1,884.6</b>    | <b>-288.6</b> | <b>-15.3</b> | <b>57.9</b>   | <b>194.1</b>      | <b>-136.2</b> | <b>-70.2</b> |

- Notes:
- Net sales by business segments include internal transactions.
  - “Energy-related” includes businesses in engineering construction, appliances sales, gas pipe installation, construction, and LNG sales, liquefied petroleum gas and industrial gas, etc.
  - “Others” includes businesses in shipping, information processing service, credit and leasing, etc.
  - The “Adjustment” to operating income is primarily companywide expenses not allocated to individual segments.

Slides 13 and 14 indicate segment information as compared with the previous year.

# FY2016 Forecast: Ordinary Income Analysis

<vs. FY2015 Results>

**FY2016**  
(current forecast)  
**¥48.0bn**

**Change**  
-¥140.8bn  
(-74.6%)

**FY2015**  
(results)  
**¥188.8bn**

**Segment income**  
-¥136.2bn  
(-70.2%)

**Non-operating income**  
-¥4.6bn  
(-)  
\*excluding equity income of subsidiaries

**City gas**  
-¥109.0bn  
(-56.8%)

**Electric power**  
-¥6.9bn  
(-74.0%)

**Overseas**  
-¥1.9bn  
(-46.8%)

**Energy-related**  
-¥16.6bn  
(-65.2%)

**Real estate**  
+¥1.2bn  
(+18.7%)

**Others**  
-¥2.0bn  
(-51.1%)

**Consolidated adjustment, etc.**  
-¥0.9bn

- Decrease in gas gross margin -¥70.1bn (sales volume +9.9 (incl. temp. effect +12.4), sliding time lag effect -76.1)
- Net sales -¥264.1bn: Increase in sales volume +20.4, sliding time lag effect -283.7
- Resource costs, etc. +¥194.0bn: Increase in sales volume -10.5, exchange rate +53.7, crude oil price +127.4
- Increase in fixed costs -¥41.1bn (increase in depreciation -19.1, actuarial differences -14.9, etc.)

- Increase in sales volume due to entry into retail sales and full-year operation of Ohgishima Power Station Unit No. 3 +18.7%
- Increase in sales expenses with entry into retail sales
- Increase in depreciation of Ohgishima Power Station Unit 3
- Decrease in profit due to drop in market prices

- Decrease in profit from Pluto and other upstream operations due to drop in crude oil price and impact of strong yen

- LNG sales -¥11.0bn: Decrease in sales volume -8.1%, sliding time lag effect -10.3
- Engineering solutions -¥3.6bn: Decrease in profits due to lower volume of projects, etc.
- Decrease in profit due to deconsolidation of GASTAR with stock sale -¥1.7bn

- Increase in profit due to increase in rental income and lower expenses, etc.

- Shipping -¥0.5bn: Decrease in charter income
- Leasing -¥0.4bn: Decrease in profit due to increase in costs
- Information services -¥0.2bn: Decrease in profit due to increase in costs

- Decrease in gain on sale of investment securities -¥1.1bn
- Foreign exchange profit/loss -¥0.6bn (-¥0.2bn/-¥0.4bn)
- Decrease in compensation received, etc.

\*+/- indicate contributions to income.

## Key Indicators (Consolidated)

(unit: billion yen)

|  | FY2016<br>Current Forecasts | FY2015<br>Results | FY2014<br>Results |
|--|-----------------------------|-------------------|-------------------|
| Total assets (a)                             | 2,185.0                     | 2,251.5           | 2,257.6           |
| Shareholders' equity (b)                     | 1,011.0                     | 1,100.2           | 1,069.5           |
| Shareholders' equity ratio (b)/(a)           | 46.3%                       | 48.9%             | 47.4%             |
| Interest-bearing debt (c)                    | 773.0                       | 715.7             | 730.7             |
| D/E ratio (c)/(b)                            | 0.76                        | 0.65              | 0.68              |
| Profit attributable to owners of parents (d) | 41.0                        | 111.9             | 95.8              |
| Depreciation (e)                             | 163.0                       | 145.1             | 141.8             |
| Operating cash flow (d) + (e)                | 204.0                       | 257.1             | 237.6             |
| Capex  | 240.0                       | 232.0             | 224.5             |
| ROA: (d) / (a)                               | 1.8%                        | 5.0%              | 4.3%              |
| ROE: (d) / (b)                               | 3.9%                        | 10.3%             | 9.2%              |
| TEP  | ▲16.8                       | 67.6              | 43.4              |
| WACC   | 3.4%                        | 3.4%              | 3.6%              |
| Total payout ratio                           | Approx. 60%                 | 60.1%             | 60.8%             |

Note: Shareholders' equity = Net assets – minority interests  
 ROA = Net income / Total assets (average of the amounts as of the end of the previous period and end of the current period)  
 ROE = Net income / Shareholders' equity (average of the amounts as of the end of the previous period and end of the current period)  
 Balance sheet figures are as of the corresponding term-end  
 Operating cash flow = Net income + Depreciation (including depreciation of long-term prepaid expenses)  
 Total payout ratio = [FY-N dividends + FY-(N+1) treasury stock purchased] / FY-N consolidated net income

TEP (Tokyo Gas Economic Profit) : Profit after taxes and before interest payments – Cost of capital (invested capital × WACC)  
 Items for WACC calculation (FY2016 forecast)  
 • Cost of interest-bearing debt : forecast interest rate (1.12%, after tax)  
 • Cost rate for shareholders' equity  
 • Risk free rate : 10-year JGB yield (0.44%)  
 • Market Risk premium : 5.5% β: 0.75

Slide 15 indicates consolidated key indicators.



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### 3. Reference Materials

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## Gas Gross Margin Sensitivity to Change in Crude Oil Price and Exchange Rate

### Impact of rising JCC by \$1/bbl

(unit: billion yen)

|        |          | Impact on earning |       |          |
|--------|----------|-------------------|-------|----------|
|        |          | 3Q                | 4Q    | 2nd half |
| Period | 3Q       | - 0.1             | - 1.1 | - 1.2    |
|        | 4Q       | —                 | - 0.3 | - 0.3    |
|        | 2nd half | - 0.1             | - 1.4 | - 1.5    |

### Impact of depreciation by ¥1/\$

(unit: billion yen)

|        |          | Impact on earning |       |          |
|--------|----------|-------------------|-------|----------|
|        |          | 3Q                | 4Q    | 2nd half |
| Period | 3Q       | - 0.6             | 0.6   | 0        |
|        | 4Q       | —                 | - 0.8 | - 0.8    |
|        | 2nd half | - 0.6             | - 0.2 | - 0.8    |



< Cautionary Statement regarding Forward-looking Statements >

Statements made in this presentation with respect to Tokyo Gas's present plans, forecasts, strategies and beliefs, and other statements herein that are not expressions of historical fact are forward-looking statements about the future performance of the Company. As such, they are based on management's assumptions and opinions stemming from currently available information and therefore involve risks and uncertainties.

The Company's actual performance may greatly differ from these projections, due to these risks and uncertainties which include without limitation general economic conditions in Japan, crude oil prices, the weather, changes in the foreign exchange rate of the yen, rapid technological innovations and the Company's responses to the progress of deregulation.

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